

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>WATERLOO TOWNSHIP</b>	County <b>JACKSON</b>
Audit Date <b>6/30/05</b>	Opinion Date <b>10/21/05</b>	Date Accountant Report Submitted to State: <b>12/6/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>DOVE &amp; HICKEY, PLC</b>			
Street Address <b>209 E WASHINGTON AVE SUITE 255</b>	City <b>JACKSON</b>	State <b>MI</b>	ZIP <b>49201</b>
Accountant Signature <i>Dove &amp; Hickey, P.C.</i>		Date <i>12/6/05</i>	

WATERLOO TOWNSHIP  
JACKSON COUNTY - MICHIGAN  
FINANCIAL STATEMENTS  
Year Ended June 30, 2005

## TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF CERTIFIED PUBLIC ACCOUNTANTS	1
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	4
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Statement of Net Assets	5
Statement of Revenue, Expenditures, and Changes in Fund Balances	6
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	7
Fiduciary Funds - Statement of Assets and Liabilities	8
Notes to Financial Statements	9 - 16
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedule - General Fund	17
Budgetary Comparison Schedule - Public Safety Fund	18
OTHER SUPPLEMENTAL INFORMATION:	
Fiduciary Funds:	
Combining Statement of Assets and Liabilities	19

# **Dove & Hickey, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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## **MEMBERS:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
ALLISON I. COLE, C.P.A.

## **INDEPENDENT AUDITOR'S REPORT**

Township Board  
Waterloo Township  
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund information of Waterloo Township as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterloo Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund information of Waterloo Township as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Waterloo Township has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterloo Township's basic financial statements. The combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



October 21, 2005

WATERLOO TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
Year Ended June 30, 2005

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
Cash and investments	\$221,031
Receivables	2,482
Due from other governments	73,904
Capital assets - net	<u>95,150</u>
Total assets	<u>392,567</u>
<u>LIABILITIES</u>	
Accounts payable	28,538
Accrued liabilities	<u>697</u>
Total liabilities	<u>29,235</u>
<u>NET ASSETS</u>	
Invested in capital assets	95,150
Unrestricted	<u>268,182</u>
Total net assets	<u>\$363,332</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue</u>
		<u>Services</u>	<u>Grants and</u>	<u>and Changes</u>
			<u>Contributions</u>	<u>in Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
GOVERNMENTAL ACTIVITIES:				
General government	\$164,786	\$ -0-	\$ -0-	(\$164,786)
Public Safety	332,081	108,845	23,946	(199,290)
Community and economic development	30,897	20,106	-0-	(10,791)
Public works	<u>45,476</u>	<u>-0-</u>	<u>-0-</u>	<u>(45,476)</u>
Total governmental activities	<u>\$573,240</u>	<u>\$128,951</u>	<u>\$ 23,946</u>	<u>(420,343)</u>
GENERAL REVENUES:				
Property taxes				\$198,178
State-shared revenues				203,167
Investment earnings				2,716
Gain on sale of assets				3,625
Miscellaneous				<u>3,386</u>
Total general revenues				<u>411,072</u>
CHANGES IN NET ASSETS				(9,271)
NET ASSETS - BEGINNING OF YEAR, AS RESTATED				<u>372,603</u>
NET ASSETS - END OF YEAR				<u>\$363,332</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
GOVERNMENTAL FUNDS -  
BALANCE SHEET  
June 30, 2005

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash and investments	\$221,031	\$ -0-	\$221,031
Receivables	2,482	-0-	2,482
Due from other governments	<u>73,904</u>	<u>-0-</u>	<u>73,904</u>
Total assets	<u>\$297,417</u>	<u>\$ -0-</u>	<u>\$297,417</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 28,538	\$ -0-	\$ 28,538
Accrued liabilities	<u>697</u>	<u>-0-</u>	<u>697</u>
Total liabilities	<u>29,235</u>	<u>-0-</u>	<u>29,235</u>
Fund Balances:			
Unreserved/undesignated	<u>268,182</u>	<u>-0-</u>	<u>268,182</u>
Total fund balances	<u>268,182</u>	<u>-0-</u>	<u>268,182</u>
Total liabilities and fund balances	<u>\$297,417</u>	<u>\$ -0-</u>	<u>\$297,417</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
RECONCILIATION OF FUND BALANCES ON THE  
BALANCE SHEET FOR GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS -  
GOVERNMENTAL FUNDS  
June 30, 2005

Fund balances - total Governmental funds	\$268,182
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund	<u>95,150</u>
Net assets of governmental activities	<u>\$363,332</u>

See accompanying notes to financial statements.



WATERLOO TOWNSHIP  
GOVERNMENTAL FUNDS - STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005

	<u>GENERAL FUND</u>	<u>PUBLIC SAFETY FUND</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:			
Property taxes	\$121,612	\$ 79,659	\$201,271
Licenses and permits	69,050	-0-	69,050
Federal sources	-0-	22,046	22,046
State sources	203,167	900	204,067
Charges for services	-0-	41,417	41,417
Fines and forfeitures	-0-	18,484	18,484
Interest	2,716	-0-	2,716
Contributions	-0-	1,000	1,000
Miscellaneous	<u>2,187</u>	<u>1,198</u>	<u>3,385</u>
Total revenues	<u>398,732</u>	<u>164,704</u>	<u>563,436</u>
EXPENDITURES:			
Current:			
General government	142,711	-0-	142,711
Public Safety	139,799	164,704	304,503
Community and economic development	30,897	-0-	30,897
Public works	45,476	-0-	45,476
Other	<u>51,440</u>	<u>-0-</u>	<u>51,440</u>
Total expenditures	<u>410,323</u>	<u>164,704</u>	<u>575,027</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(11,591)	-0-	(11,591)
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>279,773</u>	<u>-0-</u>	<u>279,773</u>
FUND BALANCE - END OF YEAR	<u>\$268,182</u>	<u>\$ -0-</u>	<u>\$268,182</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2005

Net change in fund balances - total governmental funds	(\$ 11,591)
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.	5,413
In lieu of property taxes were not received within 60 days of year end and therefore not reported as revenue in the funds in current year.	<u>(3,093)</u>
Change in net assets of governmental activities	(\$ <u>9,271</u> )

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
FIDUCIARY FUNDS -  
STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2005

FIDUCIARY  
FUND TYPES  
TRUST AND AGENCY

ASSETS

Cash and investments	\$ <u>25,385</u>
Total assets	<u>25,385</u>

LIABILITIES AND  
FUND BALANCE

Liabilities:	
Due to others	\$     385
Performance bond	<u>25,000</u>
Total liabilities	<u>25,385</u>
Fund Balance	<u>-0-</u>
Total liabilities and fund balance	<u>\$ 25,385</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Waterloo Township (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Waterloo Township.

Reporting Entity

Waterloo Township is governed by an elected five-member Board. The accompanying financial statements present the Township's entities for which the Township is considered to be financially accountable. The Township has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Safety Fund - The Public Safety Fund accounts for the use of property taxes received under a specially voted millage.

Additionally, the Township reports the following fund types:

Agency Funds - The Agency Funds account for assets held by the Township in an agency capacity.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on June 1 of the following year, at which time they are added to the county tax rolls.

The Township's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Township totaled approximately \$90,510,614 on which ad valorem taxes levied consisted of .8746 mills for operating purposes and .8805 for police and fire services. This resulted in \$79,161 for operating and \$79,659 for police and fire services. These amounts are recognized in the General Fund and Public Safety Fund, respectively.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

GASB No. 34 requires the Township to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, traffic signals, etc. The Township has elected not to report major general infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Furnishings, vehicles, and equipment	5 to 10 years

Receivables - Receivables in governmental activities are all primarily due from other governments. No allowance for doubtful accounts is provided for.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Before June 1, the proposed budget is submitted to the Township Board for review. Public hearings are held, and a final budget is adopted no later than June 30. The Township Board must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Excess of Expenditures Over Appropriations - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund - Township Board	\$ 26,605	\$ 26,988	(\$ 383)

Construction Code Fees - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at June 30, 2004	(\$ <u>22,076</u> )
Current year building permit revenue	<u>42,719</u>
Related expenses:	
Direct costs	<u>48,585</u>
Total construction code expenses	<u>48,585</u>
Cumulative shortfall at June 30, 2005	(\$ <u>27,942</u> )

3. CASH AND INVESTMENTS

At year end, the Township's cash and investments were reported in the basic financial statements under the heading of cash and investments, and restricted assets as follows:

Statement of net assets:	
Cash	\$ 221,031
Fiduciary Funds:	
Cash	<u>25,385</u>
Total cash	<u>\$246,416</u>

Cash and investments as of June 30, 2005, consist of the following:

Cash on hand	\$ 5,456
Deposits with financial institutions	<u>240,960</u>
Total cash and investments	<u>\$246,416</u>



WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

3. CASH AND INVESTMENTS (Continued)

Michigan Compiled Laws Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk.

As of June 30, 2005, \$135,388 of the Township's bank balance of \$235,388 was exposed to custodial risk as uninsured and uncollateralized.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. For credit risk purposes, the Township's investments in pooled funds and money market funds does not have a rating provided by a nationally recognized statistical rating organization.

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

4. CAPITAL ASSETS

Capital asset activity of the Township's governmental activities was as follows:

	Balance <u>July 1, 2004</u>	Additions	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>3,153</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,153</u>
Capital assets being depreciated:				
Buildings and improvements	120,838	-0-	-0-	120,838
Furnishings, vehicles, and equipment	<u>116,087</u>	<u>25,505</u>	<u>20,730</u>	<u>120,862</u>
Total capital assets being depreciated	<u>236,925</u>	<u>25,505</u>	<u>20,730</u>	<u>241,700</u>
Less: accumulated depreciation:				
Buildings and improvements	67,663	2,761	-0-	70,424
Furnishings, vehicles, and equipment	<u>82,678</u>	<u>15,029</u>	<u>18,428</u>	<u>79,279</u>
Total accumulated depreciation	<u>150,341</u>	<u>17,790</u>	<u>18,428</u>	<u>149,703</u>
Total capital assets being depreciated - net	<u>86,584</u>	<u>7,715</u>	<u>2,302</u>	<u>91,997</u>
Total capital assets - net	\$ <u>89,737</u>	\$ <u>7,715</u>	\$ <u>2,302</u>	\$ <u>95,150</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 7,494
Public Safety	<u>10,296</u>
Total governmental activities	\$ <u>17,790</u>

WATERLOO TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

5. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

6. LEASES

The Township leases a module office and office space. Both leases are recorded as an operating leases. Total rental expense under the operating lease agreements for the year ended June 30, 2005, is \$3,761.

7. PRIOR PERIOD ADJUSTMENT

The General Fund has a restatement of previously reported results to correct an accounting error:

Equity at June 30, 2004, as previously reported	\$314,626
Effect of recognizing additional accounts payable	<u>(34,853)</u>
Restated fund equity - June 30, 2004	<u>\$279,773</u>

## REQUIRED SUPPLEMENTAL INFORMATION

WATERLOO TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year Ended June 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
REVENUES:				
Property taxes	\$110,500	\$110,500	\$121,612	\$ 11,112
Licenses and permits	65,700	65,700	69,050	3,350
State shared revenue	213,000	203,000	203,167	167
Interest	4,000	4,000	2,716	(1,284)
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>2,187</u>	<u>(1,813)</u>
Total revenues	<u>387,200</u>	<u>387,200</u>	<u>398,732</u>	<u>11,532</u>
EXPENDITURES:				
Current:				
Township Board	13,500	26,605	26,988	(383)
Supervisor	14,500	15,260	15,169	91
Assessor	25,000	23,975	22,812	1,163
Elections	8,000	8,300	6,670	1,630
Clerk	20,300	21,280	20,649	631
Attorney	15,200	9,500	8,304	1,196
Treasurer	19,500	20,550	20,241	309
Township hall	160,000	114,550	13,057	101,493
Cemetery	5,000	5,000	4,950	50
Board of Review	2,800	2,850	2,434	416
Board of Appeals	2,300	2,300	1,437	863
Public Safety	115,055	126,361	90,472	35,889
Building Authority	51,000	50,390	46,439	3,951
Highways, streets and bridges	48,800	48,800	45,476	3,324
Planning	17,250	20,100	17,865	2,235
Land splits	1,950	1,625	1,495	130
Zoning	17,400	17,010	14,425	2,585
Insurance	32,000	34,195	33,301	894
Social Security	<u>20,000</u>	<u>20,000</u>	<u>18,139</u>	<u>1,861</u>
Total expenditures	<u>589,555</u>	<u>568,651</u>	<u>410,323</u>	<u>158,328</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(202,355)	(181,451)	(11,591)	169,860
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	<u>279,773</u>	<u>279,773</u>	<u>279,773</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 77,418</u>	<u>\$ 98,322</u>	<u>\$268,182</u>	<u>\$169,860</u>

See accompanying notes to financial statements.

WATERLOO TOWNSHIP  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE -  
PUBLIC SAFETY FUND  
Year Ended June 30, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
REVENUES:				
Property taxes	\$ 70,000	\$ 70,000	\$ 79,659	\$ 9,659
Federal sources	18,000	18,000	22,046	4,046
State sources	1,800	1,800	900	(900)
Charges for services	37,000	37,000	41,417	4,417
Fines and forfeitures	17,000	17,000	18,484	1,484
Contributions	-0-	-0-	1,000	1,000
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>1,198</u>	<u>1,198</u>
Total revenues	<u>143,800</u>	<u>143,800</u>	<u>164,704</u>	<u>20,904</u>
EXPENDITURES:				
Current:				
Public Safety	<u>143,800</u>	<u>164,704</u>	<u>164,704</u>	<u>-0-</u>
Total expenditures	<u>143,800</u>	<u>164,704</u>	<u>164,704</u>	<u>-0-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(20,904)	-0-	20,904
FUND BALANCE - BEGINNING OF YEAR	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>-0-</u>	(\$ <u>20,904</u> )	\$ <u>-0-</u>	\$ <u>20,904</u>

See accompanying notes to financial statements.

## OTHER SUPPLEMENTAL INFORMATION

WATERLOO TOWNSHIP  
FIDUCIARY FUNDS -  
COMBINING STATEMENT OF ASSETS AND LIABILITIES  
June 30, 2005

	<u>AGENCY FUNDS</u>		
	<u>TRUST AND</u>	<u>CURRENT TAX</u>	
	<u>AGENCY</u>	<u>COLLECTIONS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ <u>25,000</u>	\$ <u>385</u>	\$ <u>25,385</u>
Total assets	\$ <u>25,000</u>	\$ <u>385</u>	\$ <u>25,385</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to others	\$ -0-	\$ 385	\$ 385
Performance bond	<u>25,000</u>	<u>-0-</u>	<u>25,000</u>
Total liabilities	<u>25,000</u>	<u>385</u>	<u>25,385</u>
Fund Balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total liabilities and fund balance	\$ <u>25,000</u>	\$ <u>385</u>	\$ <u>25,385</u>

See accompanying notes to financial statements.



# **Dove & Hickey, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

209 E. Washington Ave., Suite 255 • Jackson, Michigan 49201  
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## **MEMBERS:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.  
PAUL T. HICKEY, C.P.A.  
NANNETTE M. SPONSER, C.P.A.  
ALLISON I. COLE, C.P.A.

October 21, 2005

Township Board  
Waterloo Township  
Jackson County, Michigan

## **Board Members:**

In planning and performing our audit of the financial statements of Waterloo Township for the year ended June 30, 2005, we considered its internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 21, 2005, on the financial statements of Waterloo Township. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be please to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

### **Budget Adoption**

As commented on last year, there were no budget amounts listed in the minutes of the Township Board meetings when the budget was adopted. The minutes should contain budget amounts or have a copy of the adopted budget attached.

We suggest that the Township consider adopting the budget using the General Appropriations Act resolution. A copy can be found on the MTA's website. The General Appropriations Act addresses the disbursements that are authorized by the Township for prepayment.

### **Budget Amendments**

P.A. 621 of 1978, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Township incurred expenditures in excess of amounts appropriated in one activity. The Township should amend its budget before this occurs.

Disbursements

MCL 41.76 requires the Township Board to authorize any payments of township money. According to the State of Michigan's Uniform Accounting Procedures Manual, "All disbursements must be approved by the legislative body prior to disbursement unless addressed otherwise in the charter. The legislative body may establish a formal policy to authorize payments prior to approval to avoid finance or late charges and to pay appropriated amounts and payroll (including related payroll taxes and withholdings). This policy must be very limited and a list of payments made prior to approval must be presented to the legislative body for approval." As commented on last year, the Township is currently paying virtually all of their bills prior to the board meetings, without a formal policy authorizing the specific payments allowable.

Items for Consideration

We noted during our audit that the Township holds an old cash performance bond. We suggest that the Township investigate the status of the cash performance bond to determine whether amounts need to be refunded to appropriate parties, whether they should be forfeited to the Township, or if escheatment to the State of Michigan is required.

We suggest that the Township Board request a legal opinion regarding the disbursements to the cemetery associations for maintenance of cemeteries within the Township.

We suggest that the Township use pre-numbered building permits. This would help to insure that all permits are accounted for and recognized.

We believe that implementation of these recommendations will provide Waterloo Township with a stronger system of internal accounting control while also making its operations more efficient. This report is intended solely for the information and use of the Township Board, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to serve you.

Respectfully yours,

*Dove + Hickey, P.L.C.*